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INTRODUCTION

The Ogemaw, Roscommon, Arenac Counties' Combined Friend of the Court (FOC) had a contract with the Michigan Family Independence Agency (FIA) to enforce all orders of support over which the Ogemaw, Roscommon, Arenac Counties' Combined FOC had jurisdiction, to locate absent parents, and to provide certain reports on child support collections to the FIA. The Ogemaw, Roscommon, Arenac Counties' Combined FOC billed the FIA monthly under the actual cost reimbursement billing method. The FIA reimbursed Ogemaw, Roscommon, Arenac Counties' Combined FOC for their costs based on the Federal IV-D Program regulations.

SCOPE

We performed an audit of the costs submitted for reimbursement by the Ogemaw, Roscommon, Arenac Counties' Combined FOC for the period October 1, 1999 through September 30, 2000. We performed the audit tests that we determined were necessary to determine if costs charged were proper, accurate, documented, and charged in accordance with the terms of the contract.

EXECUTIVE SUMMARY

We found that the Ogemaw, Roscommon, Arenac Counties' Combined FOC overbilled the FIA for some line items and underbilled for others. The State share of the amount overbilled is \$8,065. (See Schedule A.) We also found that the costs allocated to the FOC in Ogemaw County's indirect cost plans were overstated and could result in overbillings for contract years 10/01/2000-9/30/2001 and 10/01/2001-9/30/2002.

Our report recommends the Family Independence Services Administration initiate the process to recoup \$8,065 from the Ogemaw, Roscommon, Arenac Counties' Combined FOC. Our report also recommends the Family Independence Services Administration require Ogemaw

County to amend the 1999 and 2000 indirect cost plans to remove the overstated costs and amend the related billings for contract years 10/01/2000-9/30/2001 and 10/01/2001-9/30/2002.

FOC RESPONSE

The FOC indicated that they accept the findings.

FINDINGS

Personnel Billed based on Incorrect FTE Count

1. The Ogemaw, Roscommon, Arenac Counties' Combined FOC overbilled the FIA \$1,699 for personnel costs. The billed personnel costs were based on incorrect Full Time Equivalent (FTE) position counts. The FTE Position related to the MI Works grant was excluded but should have been counted toward the FOC's office percentage. The referee was excluded because they were considered a contractor. The referee, however, appeared to be an employee based on the payroll and fringe benefit accounting records. The differences in FTEs described above reduced the "office percentage" used for the FOC. The result of that reduction is the overbilled personnel costs. (See Schedule A.)

Accumulated Leave

2. The Ogemaw, Roscommon, Arenac Counties' Combined FOC overbilled the FIA \$968 for Personnel costs. An employee's accumulated leave payoff was billed directly as part of the November 1999 personnel costs. Attachment B, Section 11.d (3) of OMB Circular A-87 (A-87) requires this type of cost to be allocated as a general administrative expense. (See Schedule A.)

Workers' Compensation Rate

3. The Ogemaw, Roscommon, Arenac Counties' Combined FOC overbilled FIA \$611 for workers' compensation. The workers' compensation rate used did not take into account the insurance premium reductions. Therefore, the rate used did not reflect the County's actual cost of workers' compensation. (See Schedule A.)

Other Direct Billed not in Agreement with the General Ledger

4. The Ogemaw, Roscommon, Arenac Counties' Combined FOC underbilled the FIA \$3,191 for Other Direct costs. The billed costs did not include auditor's adjustments, which increased the costs contained in the FOC general ledger. The FOC general ledger is a source document for the billings. (See Schedule A.)

Central Services, Fringe Benefits and Legal Costs

5. The Ogemaw, Roscommon, Arenac Counties' Combined FOC overbilled the FIA \$8,242 for fringe benefit and legal costs included in central services. (See Schedule A.)

The Ogemaw County indirect cost plans allocated social security, retirement, workers' compensation, unemployment, health insurance, health deductible, retiree health insurance, and life insurance costs to the FOC. These allocations (other than the retiree health care and health deductible, which were properly allocated,) appeared, for the most part, to be allocations of additional costs. As part of our review of the billed personnel costs we tied the personnel costs to the FOC general ledger accounts and to source documents. (The FOC general ledger accounts contained all of the same costs, other than retirees' health care and health deductible that were included in the indirect cost plans.) The review indicated that FIA was billed actual cost. There is no basis to allow any additional costs as part of central services.

Certain legal costs were billed directly as part of other direct costs. The Ogemaw County indirect cost plans also contained similar legal costs. Some of those legal costs were allocated to the FOC and were billed as part of central services. For purposes of this audit the cost billed as part of central services was considered the duplicate cost and was disallowed.

(See Schedule A) Note: the 1997 and 1998 indirect cost plans are the cost plans discussed in the above Finding. The same allocations, however, were made in the 1999 and 2000 indirect cost plans. This means that in addition to the contract year covered by this audit contract years 10/01/2000-9/30/2001 and 10/01/2001-9/30/2002 billed costs could be overstated.

Central Services, IV-D Staff %

6. The Ogemaw, Roscommon, Arenac Counties' Combined FOC overbilled the FIA \$3,268 for central services because the incorrect IV-D Staff % was used. The IV-D share of central services is based on the IV-D Staff %. The changes in FTE count described in Finding #1 above reduced the IV-D Staff % and therefore, the amount of billable central services costs. (See Schedule A.)

WE RECOMMEND the Family Independence Services Administration initiate the process to recoup \$8,065 from the Ogemaw, Roscommon, Arenac Counties' Combined FOC.

WE ALSO RECOMMEND the Family Independence Services Administration require Ogemaw County to amend the 1999 and 2000 indirect cost plans to remove the overstated costs and amend the related billings for contract years 10/01/2000-9/30/2001 and 10/01/2001-9/30/2002.

Finding #	Line Item	Audit Period	(Over)/Under Billed Gross Amount	IV-D %	(Over)/Under Billed IV-D Amount	State %	Due (State) County
1	Personnel	10/1/99-9/30/00			\$ (1,699)		
2	Personnel	10/1/99-9/30/00			\$ (968)		
3	Personnel	10/1/99-9/30/00	\$ (678)	90.08%	\$ (611)		
4	Other Direct	10/1/99-9/30/00	\$ 3,431	92.99%	\$ 3,191		
5	Central Services	10/1/99-9/30/00	\$ (8,863)	92.99%	\$ (8,242)		
6	Central Services	10/1/99-9/30/00		90.08%	\$ (3,268)		
Grand Total of the IV-D Audit Adjustments					<u>\$ (11,597)</u>		
Calculation of the Payment Due the (State) County							
Audited IV-D Amount					\$ (11,597)		
					<u>\$ (11,597)</u>	69.54%	<u>\$ (8,065)</u>